

Tax certainty enhancement scheme for onshore gains on disposal of equity interests

- **Safe harbour** – Onshore gains on disposal of equity interests would be regarded as capital in nature and non-taxable, if certain conditions are met.
- **No adverse impact for non-election** – The current "badges of trade" approach would apply if no election is made.



Basic conditions

An investor entity must have

- i. held at least **15%** of the total equity interest in the investee entity
- ii. for a continuous period of at least **24 months** immediately prior to the date of disposal of such interest.



Broad coverage

- Applicable to disposal gains on equity interests, including ordinary shares, preference shares, partnership interest etc.
- Eligible to an investor entity, including partnership and trust



Flexible arrangements

- **Group basis** in determining the 15% holding threshold
- **Disposal in tranches** will be allowed, subject to a 24-month restriction



Exclusions

This regime is not applicable to:

- Investor entities engaging in **insurance business**
- Equity interests previously regarded as **trading stock** for tax purpose
- Investee entities engaging in **property-related businesses** (i.e., property trading, property holding and property development)

Simple administrative procedures

By **election** in annual tax return

Disposal losses

Not affected i.e. continue to use “badges of trade” approach

Effective date

1 January 2024



Service Offerings

- Review proposed disposal transactions
- Assess applicability of the tax certainty enhancement scheme
- Recommend ways to improve the eligibility for the tax certainty enhancement scheme
- Assist to elect for the regime



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Key contacts

Tax & Business Advisory Southern Region Leader

Jennifer Zhang

Tax Partner

+86 20 2885 8608

jenzhang@deloitte.com.cn

Southern Region Deputy Leader

Raymond Tang

Tax Partner

+852 2852 6661

raytang@deloitte.com.hk

International and M&A Tax Southern Region Leader

Anthony Lau

Tax Partner

+852 2852 1082

antlau@deloitte.com.hk